

Message Text

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PAGE 01 STATE 054656

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FM SECSTATE WASHDC

TO AMEMBASSY AMMAN

UNCLAS STATE 054656

E. O. 11652: N/A

TAGS: EFIN

SUBJECT: RECIPROCAL TAX EXEMPTION FOR AIRLINES

REF: AMMAN 1144 AND AMMAN 1462

REGRET DELAY IN REPLYING. USUAL US PROCEDURE IS TO CONFIRM RECIPROCAL EXEMPTION FROM INCOME TAX OF EACH OTHER'S SHIPPING AND AIR LINES BY AN EXCHANGE OF NOTES BETWEEN US AMBASSADOR AND MINISTER OF FOREIGN AFFAIRS WHICH CITES US STATUTORY PROVISIONS. WOULD SUGGEST SAME PROCEDURE THIS CASE. AFTER APPROPRIATE SALUTATIONS, BODY OF NOTE FROM AMBASSADOR WOULD READ AS BELOW. REPLY FROM MIN. FINANCE MAY REPEAT THIS TEXT IN CONFIRMING RECIPROCITY OF TREATMENT OF US SHIPPING AND AIR LINES.

" 1. THE GOVERNMENT OF THE UNITED STATES OF AMERICA, IN ACCORDANCE WITH SECTIONS 872(B) AND 883(A) OF ITS INTERNAL REVENUE CODE OF 1954, SHALL, ON THE BASIS OF EQUIVALENT EXEMPTIONS GRANTED BY THE GOVERNMENT OF THE REPUBLIC OF JORDAN TO CITIZENS OF THE UNITED STATES OF AMERICA AND TO CORPORATIONS ORGANIZED IN THE UNITED STATES OF AMERICA, EXCLUDE FROM GROSS INCOME AND EXEMPT FROM INCOME TAX ALL EARNINGS DERIVED

UNCLASSIFIED

UNCLASSIFIED

PAGE 02 STATE 054656

(A) BY A CORPORATION ORGANIZED IN THE REPUBLIC OF JORDAN, OR

(B) BY AN INDIVIDUAL WHO IS

(I) A CITIZEN OF THE REPUBLIC OF JORDAN AND

(II) A NONRESIDENT ALIEN AS TO THE UNITED STATES OF AMERICA.

FROM THE OPERATION OF A SHIP OR SHIPS DOCUMENTED, AND FROM THE OPERATION OF AIRCRAFT REGISTERED, UNDER THE LAWS OF THE REPUBLIC OF JORDAN.

"2. FOR THE PURPOSE OF THIS AGREEMENT:

(A) THE EXPRESSIONS " OPERATION OF A SHIP OR SHIPS" AND " OPERATION OF AIRCRAFT" MEAN THE BUSINESS OR ENTERPRISE, CARRIED ON BY OWNERS OR CHARTERERS OF A SHIP OR SHIPS , OR OF AIRCRAFT, AS THE CASE MAY BE, OF

(I) TRANSPORTING PERSONS, INCLUDING THE EMBARKING AND DEBARKING OF PASSENGERS, OR

(II) TRANSPORTING ARTICLES, MAILS, AND OTHER CARGO, INCLUDING THE LOADING AND UNLOADING THEREOF, OR

(III) BOTH (I) AND (II)

(B) THE TERM " EARNINGS" MEANS INCOME DERIVED FROM THE ACTIVITIES DESCRIBED IN SUBPARAGRAPH (A) HEREOF, INCLUDING THE SALE OF TICKETS IN THE UNITED STATES OF AMERICA. IT ALSO INCLUDES

(I) INCOME DERIVED BY A DOMESTIC OR INTERNATIONAL CARRIER FROM THE LEASE OF SHIPS OR AIRCRAFT EITHER ON A BAREBOAT OR FULL CHARTER BASIS, IF SUCH LEASE IS INCIDENTAL TO ITS BUSINESS AS A CARRIER, AND

(II) INCOME DERIVED FROM THE USE OF AND LEASE OF CONTAINERS OF TRAILERS FOR THE INLAND TRANSPORT OF CONTAINERS, AND OF OTHER RELATED EQUIPMENT IF SUCH INCOME IS INCIDENTAL TO INCOME DERIVED FROM THE ACTIVITIES DESCRIBED IN SUBPARAGRAPH (A) HEREOF.

UNCLASSIFIED

UNCLASSIFIED

PAGE 03 STATE 054656

"3. THE EXCLUSIONS AND EXEMPTIONS PROVIDED FOR IN PARAGRAPH (1)

(A) SHALL BE ACCORDED EVEN THOUGH THE CORPORATION WAS RESIDENT IN THE UNITED STATES OF AMERICA BY REASON OF ENGAGING IN TRADE OR BUSINESS THEREIN AT ANY TIME WITHIN THE TAXABLE YEAR AND EVEN THOUGH THE CITIZEN WAS ENGAGED IN TRADE OR BUSINESS WITHIN THE UNITED STATES OF AMERICA AT ANY TIME WITHIN THE TAXABLE YEAR, REGARDLESS OF THE ACTIVITIES CONSTITUTING SUCH TRADE OR BUSINESS;

(B) SHALL BE APPLICABLE WITH RESPECT TO TAXABLE YEARS BEGINNING ON OR AFTER THE FIRST DAY OF JANUARY 1973.

" 4. EITHER OF THE TWO GOVERNMENTS MAY TERMINATE THIS AGREEMENT BY GIVING TO THE OTHER GOVERNMENT SIX MONTHS' PRIOR NOTICE OF TERMINATION IN WRITING AND, IN SUCH EVENT, THE AGREEMENT SHALL CEASE TO BE EFFECTIVE FOR THE TAXABLE YEARS BEGINNING ON OR AFTER THE FIRST DAY OF JANUARY NEXT FOLLOWING THE EXPIRATION OF THE SIX- MONTH PERIOD.

" THE GOVERNMENT OF THE UNITED STATES OF AMERICA WILL CONSIDER THIS NOTE, TOGETHER WITH YOUR NOTE OF REPLY CONFIRMING THAT THE GOVERNMENT OF THE REPUBLIC OF JORDAN AGREES TO TERMS CORRESPONDING TO THOSE OUTLINED ABOVE, AS CONSTITUTING THE AGREEMENT BETWEEN THE TWO GOVERNMENTS, ENTERING INTO FORCE ON THE DATE OF YOUR REPLY NOTE." ROGERS

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